



UBUHLEBEZWE LOCAL MUNICIPALITY
(DERMACATION CODE KZN 434)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Mayoral Committee

Her worship, The Mayor

Cllr. Ngubo EB (Mayor)

Cllr. Mngoyama C.Z (Deputy Mayor)

Councillors

Cllr. Dlamini TC (Speaker)

Cllr. Z.D. Nxumalo

Cllr. Shabalala ZM

Cllr. Mkhize T.T.

Cllr. Caluza BM(Resigned 2019-08-28)

Cllr. Ndlovu P

Cllr Mkhize KM(effective from 2019-11-25)

Cllr. Mkhize VC (Resigned)

Cllr. Ndlovu MC

Cllr. Jili NZ

Cllr. Jili HC

Cllr. Ngcongco GJ

Cllr. Maluleka SP

Cllr. Radebe NG

Cllr. Khumalo ZC

Cllr. Mdunge NM

Cllr. Mpungose PB

Cllr. Msimango SM

Cllr. Ntabeni CN

Cllr. Nxumalo TB

Cllr. Shoba ET

Cllr. Khuboni BM

Cllr. Nkontwana MC

Cllr. Zulu BR

Cllr. Nduli BR

Cllr. Davids LM

Cllr. N.C.Ngcongco(Effective from 2019-10-09)

Grading of local authority

Grade 3 (In terms of Remuneration of Public Office Bearer)

Accounting Officer

G.M Sineke

Chief Finance Officer (CFO)

Ms MP Mbatha (Acting from 01 June 2019)

Registered office

Ubuhlebezwe Local Municipality

Margaret Street

Ixopo

3276

Business Address

29 Margaret Street

Ixopo

3276

Postal Address

P.O. Box 132

Ixopo

3276

Bankers

First National Bank

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General Information

Auditors

Auditor General (S.A)

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements set out on pages 4 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:

G.M Sineke
Municipal Manager

uBuhlebezwe Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	8 705 394	9 004 737
VAT receivable	4	10 964 332	5 300 118
Receivables from non-exchange transactions	5	22 211 106	14 840 861
Receivables from exchange transactions	6	5 990 627	5 399 714
Cash and cash equivalents	7	148 839 937	155 455 064
		196 711 396	190 000 494
Non-Current Assets			
Investment property	8	23 472 537	23 684 810
Property, plant and equipment	9	297 181 100	279 756 447
Intangible assets	10	1 321 106	1 743 634
Heritage assets	11	4 808 819	4 808 819
		326 783 562	309 993 710
Total Assets		523 494 958	499 994 204
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	18 745 993	24 647 759
Unspent conditional grants and receipts	13	1 143 780	838 887
Leave Pay Provision	14	4 972 903	4 754 122
		24 862 676	30 240 768
Non-Current Liabilities			
Employee benefit Medical Aid	15	4 644 000	4 668 000
Leave Pay Provision	14	2 498 000	2 549 000
		7 142 000	7 217 000
Total Liabilities		32 004 676	37 457 768
Net Assets		491 490 282	462 536 436
Reserves			
Housing Development	18	373 787	373 787
Accumulated surplus		491 116 495	462 162 649
TOTAL NET ASSETS		491 490 282	462 536 436

* See Note 43

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
REVENUE			
Revenue from exchange transactions			
Service charges	17	2 869 807	2 257 263
Rental of facilities and equipment	19	850 649	1 074 076
Licence Commision		984 546	884 998
Licences and permits		1 891 296	2 884 673
Other income	20	858 095	327 895
Interest received - investment	21	11 106 623	13 026 783
Total revenue from exchange transactions		18 561 016	20 455 688
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	24 943 816	21 886 399
Transfer revenue			
Government grants & subsidies	23	148 940 107	135 280 962
Fines, Penalties and Forfeits		446 450	901 062
Total revenue from non-exchange transactions		174 330 373	158 068 423
TOTAL REVENUE	16	192 891 389	178 524 111
EXPENDITURE			
Employee related costs	24	(68 078 666)	(63 452 687)
Remuneration of councillors	25	(10 052 118)	(10 302 908)
Depreciation and amortisation	26	(30 944 975)	(20 706 676)
Impairment loss/ reversal of impairments	27	(4 183 012)	(3 184 560)
Finance costs	28	(5 770)	(2 395)
Debt Impairment	29	(7 068 107)	(4 743 403)
Contracted services	30	(17 039 674)	(14 550 563)
General Expenses	31	(26 458 260)	(24 800 040)
TOTAL EXPENDITURE		(163 830 582)	(141 743 232)
Operating surplus		29 060 807	36 780 879
Loss on disposal of assets and liabilities		(38 029)	(460 657)
SURPLUS FOR THE YEAR		29 022 778	36 320 222

* See Note 43

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Statement of Changes in Net Assets

	Housing Development Fund	Accumulated surplus	Total net assets
Figures in Rand			
Balance at 01 July 2018	373 787	425 842 427	426 216 214
Surplus for the year	-	36 320 222	36 320 222
Total changes	-	36 320 222	36 320 222
Opening balance as previously reported	373 787	443 983 197	444 356 984
Adjustments			
Correction of errors	-	18 179 452	18 179 452
Restated* Balance at 01 July 2019 as restated*	373 787	462 093 717	462 467 504
Changes in net assets			
Surplus for the year	-	29 022 778	29 022 778
Balance at 30 June 2020	373 787	491 116 495	491 490 282

Note(s)

* See Note 43

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates		11 400 387	12 878 841
Sale of goods and services		6 221 315	6 678 359
Grants		148 940 107	135 280 962
Interest income		11 106 623	13 026 783
		177 668 432	167 864 945
Payments			
Employee related costs		(78 130 784)	(73 755 595)
Suppliers		(50 033 716)	(26 110 804)
Finance costs		(5 770)	(2 395)
		(128 170 270)	(99 868 794)
Net cash flows from operating activities	32	49 498 162	67 996 151
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(52 124 867)	(41 566 182)
Proceeds from sale of property, plant and equipment	9	265 578	362 857
Purchase of investment property	8	-	(3 014 000)
Purchase of Land	8	(4 179 000)	-
Purchase of other intangible assets	10	-	(1 722 829)
Proceeds from sale of other assets		-	32 542 736
Net cash flows from investing activities		(56 038 289)	(13 397 418)
Cash flows from financing activities			
Movement in retirement benefits: post employment medical benefits		(75 000)	(1 421 000)
Net increase/(decrease) in cash and cash equivalents		(6 615 127)	53 177 733
Cash and cash equivalents at the beginning of the year		155 455 064	102 277 331
Cash and cash equivalents at the end of the year	7	148 839 937	155 455 064

* See Note 43

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2 100 000	2 100 000	2 100 000	2 869 807	769 807	(a)
Rental of facilities and equipment	1 000 000	1 000 000	1 000 000	850 649	(149 351)	(b)
Agency services	33 900	33 900	33 900	984 546	950 646	(c)
Licences and permits	3 418 835	550 000	3 968 835	1 891 296	(2 077 539)	(d)
Other income	1 268 672	55 200	1 323 872	858 095	(465 777)	(e)
Interest received - investment	16 000 000	3 000 000	13 000 000	11 106 623	(1 893 377)	(f)
Total revenue from exchange transactions	23 821 407	6 739 100	21 426 607	18 561 016	(2 865 591)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23 023 059	-	23 023 059	24 943 816	1 920 757	(g)
Transfer revenue						
Government grants & subsidies	220 103 512	(70 829 735)	149 273 777	148 940 107	(333 670)	(h)
Fines, Penalties and Forfeits	1 000 000	-	1 000 000	446 450	(553 550)	(i)
Total revenue from non-exchange transactions	244 126 571	(70 829 735)	173 296 836	174 330 373	1 033 537	
Total revenue	267 947 978	(64 090 635)	194 723 443	192 891 389	(1 832 054)	
Expenditure						
Employee related costs	(77 459 290)	(434 495)	(77 893 785)	(68 078 666)	9 815 119	(j)
Remuneration of councillors	(11 097 335)	-	(11 097 335)	(10 052 118)	1 045 217	
Depreciation and amortisation	(20 000 000)	(2 000 000)	(22 000 000)	(30 944 975)	(8 944 975)	(k)
Impairment loss/ Reversal of impairments	-	-	-	(4 183 012)	(4 183 012)	(l)
Finance costs	-	-	-	(5 770)	(5 770)	
Debt Impairment	(1 578 000)	(422 000)	(2 000 000)	(7 068 107)	(5 068 107)	(m)
Other materials	(869 840)	(36 000)	(905 840)	-	905 840	(n)
Contracted Services	(21 571 108)	(222 892)	(21 794 000)	(17 039 674)	4 754 326	(o)
Transfers and Subsidies	(85 960 351)	71 356 404	(14 603 947)	-	14 603 947	(p)
General expenditure	(25 551 421)	(632 579)	(26 184 000)	(26 458 260)	(274 260)	(q)
Total expenditure	(244 087 345)	67 608 438	(176 478 907)	(163 830 582)	12 648 325	
Operating surplus	23 860 633	3 517 803	27 378 436	29 060 807	1 682 371	
Loss on disposal of assets and liabilities	-	-	-	(38 029)	(38 029)	
Surplus after capital transfer & contribution	23 860 633	3 517 803	27 378 436	29 022 778	1 644 342	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	23 860 633	3 517 803	27 378 436	29 022 778	1 644 342	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

(a) Service charges

Collection target was achieved, it includes the prior year debt and number of increases in values of properties after the implementation of supplementary valuation roll number two.

(b) Rental of facilities

Hall hire rental target was not achieved partially due to lack of activities due COVID-19

There were lot vacancy offices at thusong centre thus resulting in the decrease of revenue.

(c) Agency Services

The collection of Traffic Department income target was achieved and the turnout was more than expected.

(d) Licences and permits

Target was not achieved and this was because of COVID-19 where traffic department was closed from 27 March 2020 up to 01 June 2020.

(e) Other income

Lower than expected due to the usage of E-portal instead of the normal process of procuring tenders

(f) Interest in investments

Receipt lower than the budget due to the fluctuations of the interest rates in commercial banks and the revision of interest rate by the reserve bank.

(g) Property rates

Collection target was achieved, it includes the prior year debt and number of increases in values of properties after the implementation of supplementary valuation roll number two.

(h) Government grants and subsidies

INEP and Housing was initially budgeted for under revenue, however there was no revenue recognised in the income statement due to changes in the accounting treatment by National Treasury.

(i) Fines, penalties and forfeits

This was due to lower compliance with legislation by drivers which resulted in few issuing of fines and penalties and a travel restriction during the last quarter of the financial due to COVID-19.

(j) Employee costs

This was due to reduction in overtime, post employment benefits decrease, savings on CFO, IPD Director and a sharp decrease of subsistence and travel reimbursement due offices during the lockdown.

(k) Depreciation

a significant increase for depreciation due to the revision and assessment of useful lives of immovable asset.

(l) Impairment provision

The impairment is in the current year was due to current year damages and was not anticipated.

(m) Debt Impairment

(n) Other materials

This was budgeted under general expenditure.

(o) Contracted Service

The expenditure relating to grants is accounted for in general expenses due to the implementation of the mSCOA alignments and COVID-19.

The accounting policies on pages 12 to 28 and the notes on pages 29 to 61 form an integral part of the annual financial statements.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	23 023 059	-	23 023 059	-		23 023 059	24 943 816		1 920 757	108 %	108 %
Service charges	2 100 000	-	2 100 000	-		2 100 000	2 869 807		769 807	137 %	137 %
Investment revenue	16 000 000	(3 000 000)	13 000 000	-		13 000 000	11 106 623		(1 893 377)	85 %	69 %
Transfers recognised - operational	220 103 512	(70 829 735)	149 273 777	-		149 273 777	122 023 107		(27 250 670)	82 %	55 %
Other own revenue	6 721 407	605 200	7 326 607	-		7 326 607	5 031 036		(2 295 571)	69 %	75 %
Total revenue (excluding capital transfers and contributions)	267 947 978	(73 224 535)	194 723 443	-		194 723 443	165 974 389		(28 749 054)	85 %	62 %
Employee costs	(77 459 290)	(434 495)	(77 893 785)	-	-	(77 893 785)	(68 078 666)	-	9 815 119	87 %	88 %
Remuneration of councillors	(11 097 335)	-	(11 097 335)	-	-	(11 097 335)	(10 052 118)	-	1 045 217	91 %	91 %
Debt impairment	(1 578 000)	(422 000)	(2 000 000)			(2 000 000)	(7 068 107)	-	(5 068 107)	353 %	448 %
Depreciation and asset impairment	(20 000 000)	(2 000 000)	(22 000 000)			(22 000 000)	(35 127 987)	-	(13 127 987)	160 %	176 %
Finance charges	-	-	-	-	-	-	(5 770)	-	(5 770)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(869 840)	(36 000)	(905 840)	-	-	(905 840)	-	-	905 840	- %	- %
Transfers and grants	(85 960 351)	71 356 404	(14 603 947)	-	-	(14 603 947)	-	-	14 603 947	- %	- %
Other expenditure	(47 122 529)	(855 471)	(47 978 000)	-	-	(47 978 000)	(43 535 963)	-	4 442 037	91 %	92 %
Total expenditure	(244 087 345)	67 608 438	(176 478 907)	-	-	(176 478 907)	(163 868 611)	-	12 610 296	93 %	67 %
Surplus/(Deficit)	23 860 633	(5 616 097)	18 244 536	-		18 244 536	2 105 778		(16 138 758)	12 %	9 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	26 917 000		26 917 000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	23 860 633	(5 616 097)	18 244 536	-		18 244 536	29 022 778		10 778 242	159 %	122 %
Surplus/(Deficit) for the year	23 860 633	(5 616 097)	18 244 536	-		18 244 536	29 022 778		10 778 242	159 %	122 %

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of computer software and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, computer software is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of computer software and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25 - 30 years
Air-conditioners	5-7 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Investment property (continued)

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance property, plant and equipment will be valued using the revaluation model.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment

Item	Depreciation method	Average useful life in years
Land	Straight line	Infinite
Buildings	Straight line	25 - 30
Finance Lease Assets	Straight line	3
Plant and Equipment	Straight line	5 - 15
Furniture and office equipment	Straight line	5-10
Motor vehicles	Straight line	5-10
Computer equipment	Straight line	5-7
Infrastructure - Cemeteries	Straight line	15-30
Machinery and equipment	Straight line	5-7
Infrastructure - Electricity	Straight line	15 -30
Infrastructure - Road	Straight line	10 - 50
Infrastructure - Solid Waste Disposal	Straight line	10 - 55
Specialised vehicles	Straight line	7-20

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-5

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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1.6 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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1.8 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.9 Statutory receivables

Identification

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1.9 Statutory receivables (continued)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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1.11 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.13 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.14 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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1.15 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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1.18 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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1.19 Borrowing costs (continued)

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

All municipalities were required to comply with MSCOA as from the 1st July 2017. uBuhlebezwe Local Municipality have implemented the MSCOA and comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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1.23 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Principal and Agent arrangements

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Accounting by agent

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal).

An agent does not recognise expenses it incurs on behalf of the principal in its statement of financial performance. The result of the transaction with third parties, in this case suppliers, results in the principal having the ability to use all, or substantially all, of the resources related to that transaction and not the agent.

Recognising assets and liabilities as an agent

The Framework for the Preparation and Presentation of Financial Statements requires, inter-alia, that an entity must control an asset, as a result of a past event, before it can be recognised in the statement of financial position. Consequently, an agent assesses whether the resources it holds as a result of undertaking transactions with third parties on behalf of the principal are under its control and would otherwise meet the definition and recognition criteria for such assets in accordance with other Standards of GRAP.

Where an agent holds cash or other monetary assets on behalf of its principal, it is necessary to assess whether this should be recognised as an asset by the agent, with a corresponding liability in respect of the obligation to transfer the amounts to the principal. In making this assessment, the agent considers whether it controls (even if this control is temporary) the cash or other asset it holds, and consequently whether it meets the definition of an asset in accordance with the Framework for Preparation and Presentation of Financial Statements.

1.28 Unspent Conditional Grants and receipts

Unspent portion of the conditional grants are accounted as current liabilities.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 9 - Recievables from exchange transactions	01 April 2020	The impact of the is not material.
• GRAP 108 - Statutory receivables	01 April 2020	The impact of the is not material.
• GRAP 110 - Living and Non Living Resources	01 April 2020	The impact of the is not material.
• GRAP 104 - Financial Instruments	01 April 2020	

3. Inventories

Consumable stores	21 622	-
Land held for sale	9 947 105	9 947 105
Inventory - Additions	80 000	80 000
	10 048 727	10 027 105
Disposals	(1 343 333)	(1 022 368)
	8 705 394	9 004 737

Carrying value of inventories carried at fair value less costs to sell 8 705 394 9 004 737

Inventories recognised as an expense during the year 320 965 1 026 641

Consumables stores relate to Cleaning chemicals and Stationery. Land held for sale is included in the Assets Held for Sale.

4. VAT receivable

VAT	10 964 332	5 300 118
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VAT is disclosed on the accrual basis, declarations to SARS are made on payments basis

5. Trade receivable from non exchange transaction

Gross balances

Rates	46 066 399	35 033 443
Fines	3 452 419	3 039 664
	49 518 818	38 073 107

Less: Allowance for impairment

Rates	(24 117 797)	(20 362 723)
Fines	(3 189 915)	(2 869 523)
	(27 307 712)	(23 232 246)

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5. Trade receivable from non exchange transaction (continued)		
Net balance		
Rates	21 948 602	14 670 720
Fines	262 504	170 141
	22 211 106	14 840 861
Rates		
Current (0 -30 days)	2 602 400	1 843 393
31 - 60 days	1 803 922	1 579 434
61 - 90 days	1 798 910	1 532 749
91 - 120 days	2 081 300	1 318 877
121 - 365 days	37 779 867	29 840 546
	46 066 399	36 114 999
Fines		
Fines Outstanding	3 452 419	3 039 664
Reconciliation of allowance for impairment		
Balance at beginning of the year	(19 889 128)	(19 889 128)
Contributions to allowance	(3 343 395)	(3 343 395)
	(23 232 523)	(23 232 523)
6. Receivables from exchange transactions		
Housing debtors	110 275	115 075
Accrued interest	47 063	1 858 665
Consumer debtors - Refuse	7 928 455	5 714 984
Consumer debtors - Rental	1 565 257	1 138 854
Sundry debtors	362 158	362 158
Less: Allowance for Impairment-Refuse	(3 308 165)	(3 160 261)
Less: Allowance for Impairment- Rental	(714 416)	(629 761)
	5 990 627	5 399 714

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7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 000	3 000
Bank balances	105 697 429	24 570 573
Short-term deposits	43 139 508	130 881 491
	148 839 937	155 455 064

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
FNB - Current Account - 52552416194	116 668 661	24 535 343	5 214 266	105 697 429	24 570 573	5 214 266
FNB - Equitable Share - 62143895988	246 792	5 147 234	6 166 184	246 792	5 147 234	6 404 365
FNB - Equitable Share- 62248166218	719 847	690 309	664 709	719 847	690 309	664 709
FNB - 74814614472	-	14 038 663	-	-	14 038 663	-
FNB - 7479441557	-	15 566 845	-	-	15 566 845	-
FNB - 74806555642	-	14 237 047	-	-	14 237 047	-
FNB - 745590521793	-	-	6 464 559	-	-	6 464 559
FNB - 71770508335	-	-	5 677 600	-	-	5 677 600
ABSA - 2074567242	-	-	12 944 135	-	-	12 944 135
ABSA - 20178479582	-	10 062 860	-	-	10 062 860	-
ABSA - 2078355849	-	10 181 233	-	-	10 181 233	-
Nedbank - 7881076763/122	-	20 000 000	-	-	20 000 000	-
Nedbank - 7881076763/124	-	21 000 000	-	-	21 000 000	-
Nedbank Investment Account	-	-	15 889 682	-	-	15 889 682
Standard - 068730276-008	15 750	15 151	14 494	15 750	15 151	14 494
Standard - 068730276-009	-	14 039 066	-	-	14 039 066	-
Standard - 068730276-001	126 630	122 628	109 507	126 629	122 628	109 507
Standard - 068730276-006	-	5 780 455	5 328 561	-	5 780 455	5 328 561
Investec - 11005393353455	-	-	43 943 807	-	-	43 560 204
ABSA Bank - 9356939209	31 790 809	-	-	31 790 809	-	-
STD BAnk - 068730276 - 007	10 238 403	-	-	10 238 403	-	-
Total	159 806 892	155 416 834	102 417 504	148 835 659	155 452 064	102 272 082

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8. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	25 070 533	(1 597 996)	23 472 537	25 070 533	(1 385 723)	23 684 810

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	23 684 810	(212 273)	23 472 537

Reconciliation of investment property - 2019

	Opening balance	Additions	Transfers	Depreciation	Total
Investment property	20 961 275	3 014 000	(80 000)	(210 465)	23 684 810

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	850 649	1 074 076
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9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 179 000	-	4 179 000	4 179 000	-	4 179 000
Buildings	57 445 962	(13 205 875)	44 240 087	35 033 503	(10 283 055)	24 750 448
Plant and machinery	13 272 151	(4 965 108)	8 307 043	8 250 662	(5 076 511)	3 174 151
Furniture and fixtures	4 231 956	(3 233 988)	997 968	5 544 735	(3 914 821)	1 629 914
Motor vehicles	17 233 570	(11 120 044)	6 113 526	14 860 285	(9 497 666)	5 362 619
IT equipment	4 812 122	(3 738 859)	1 073 263	5 496 432	(3 899 807)	1 596 625
Infrastructure	299 036 250	(171 750 922)	127 285 328	282 532 191	(153 978 738)	128 553 453
Community	170 174 644	(65 189 759)	104 984 885	166 822 609	(59 233 235)	107 589 374
Libraries	-	-	-	4 706 767	(1 785 904)	2 920 863
Total	570 385 655	(273 204 555)	297 181 100	527 426 184	(247 669 737)	279 756 447

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Re Classification	Disposals	Work-In Progress	Depreciation	Impairment loss	Total
Land	4 179 000	-	-	-	-	-	-	4 179 000
Buildings	24 750 448	145 000	2 920 863	-	17 933 849	(1 056 829)	(453 244)	44 240 087
Plant and Equipment	3 174 151	6 005 418	-	(1 748)	-	(870 778)	-	8 307 043
Furniture and fixtures	1 629 914	95 274	-	(110 535)	-	(616 685)	-	997 968
Motor vehicles	5 362 619	2 385 727	-	-	-	(1 634 820)	-	6 113 526
IT equipment	1 596 625	175 150	-	(94 127)	116 522	(720 907)	-	1 073 263
Infrastructure	128 553 453	86 102	-	-	18 082 175	(19 436 402)	-	127 285 328
Community	107 589 374	105 009	-	-	6 994 641	(5 974 371)	(3 729 768)	104 984 885
Libraries	2 920 863	-	(2 920 863)	-	-	-	-	-
	279 756 447	8 997 680	-	(206 410)	43 127 187	(30 310 792)	(4 183 012)	297 181 100

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Prior Year re assessment of useful live	Prior Year Error	Work-In Progress	Depreciation	Impairment loss	Total
Land	4 179 000	-	-	-	-	-	-	-	4 179 000
Buildings	17 152 294	-	-	1 762 430	-	6 690 374	(854 650)	-	24 750 448
Plant and machinery	3 833 787	70 160	(49 196)	-	-	-	(680 600)	-	3 174 151
Furniture and fixtures	1 959 843	305 619	(3 547)	-	-	-	(632 001)	-	1 629 914
Motor vehicles	6 859 253	551 719	(427 819)	-	-	-	(1 620 534)	-	5 362 619
IT equipment	1 941 892	526 062	(10 503)	-	-	-	(860 826)	-	1 596 625
Infrastructure	116 114 343	56 114	-	522 269	1 754 395	20 949 479	(10 843 147)	-	128 553 453
Community	101 275 024	37 271	-	1 719 529	10 513	12 368 530	(4 636 933)	(3 184 560)	107 589 374
Libraries	3 083 133	-	-	-	-	-	(162 270)	-	2 920 863
	256 398 569	1 546 945	(491 065)	4 004 228	1 764 908	40 008 383	(20 290 961)	(3 184 560)	279 756 447

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	21 095 474	17 534 401	9 151 184	47 781 059
Additions/capital expenditure	18 082 175	6 994 641	18 050 371	43 127 187
Transferred to completed items	(24 603 549)	(7 894 206)	-	(32 497 755)
	14 574 100	16 634 836	27 201 555	58 410 491

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	16 681 613	12 044 339	2 460 810	31 186 762
Additions/capital expenditure	20 949 479	12 368 530	6 690 374	40 008 383
Prior Year error	(6 314 325)	(2 544 565)	-	(8 858 890)
Transferred to completed items	(10 221 293)	(4 333 903)	-	(14 555 196)
	21 095 474	17 534 401	9 151 184	47 781 059

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	2 199 726	4 266 552
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There are no long outstanding projects which are taking longer than expected

There are no indications that projects in Work in Progress are impaired.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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10. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 494 287	(1 173 181)	1 321 106	2 494 287	(750 653)	1 743 634

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	1 743 634	(422 528)	1 321 106

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	212 394	1 722 829	(191 589)	1 743 634

11. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 808 819	-	4 808 819	4 808 819	-	4 808 819

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	4 808 819	4 808 819

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	4 808 819	4 808 819

12. Payables from exchange transactions

Trade payables	8 070 239	16 454 096
Unallocated deposits	316 239	221 964
Other creditors	-	256 092
Deposits other	-	32 134
Retention	8 358 511	5 314 023
Advance payments	2 001 004	2 369 450
	18 745 993	24 647 759

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13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

COVID 19 -Disaster Management Relief Grant	374 477	-
Building Plans Information Systems	1 193	-
MIG	601	601
Ixopo Sportfields Maintenance	8 278	8 278
Sangcwaba Grant	565 387	565 387
Ixopo Sportfield	143 183	143 183
Sports & Recreation	-	28 777
Gym Park - Receipts	50 661	92 661
	1 143 780	838 887

14. Leave Pay Provision

Reconciliation of leave pay provision - 2020

	Opening Balance	Movements due to re-measurement or settlement without cost to entity	Total
Leave pay provision	4 754 122	218 781	4 972 903
Long term service award provision	2 549 000	(51 000)	2 498 000
	7 303 122	167 781	7 470 903

Reconciliation of leave pay provision - 2019

	Opening Balance	Additions	Movements due to re-measurement or settlement without cost to entity	Total
Leave pay provision	3 893 612	-	860 510	4 754 122
Long term service award provision	2 355 000	194 000	-	2 549 000
	6 248 612	194 000	860 510	7 303 122
Non-current liabilities			2 498 000	2 549 000
Current liabilities			4 972 903	4 754 122
			7 470 903	7 303 122

Long services award are payable after ten years of continuous services and every five years thereafter to employees.

Provision is an estimate of the long service award base on historic staff turnover, taking into account management estimate of the likelihood that staff may leave before long services become due. No other long services benefit are provided to employees.

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15. Employee benefit obligations

Long service awards

Independent valuers, Independent and Actuaries Consultants (Pty) Ltd, carried out a statutory valuation as at 30 June 2020.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement benefit plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

Post retirement medical aid plan

The municipality operates on 6 accredited medical aid schemes, namely Bonitas, Keyhealth, LA Health, Hosmed, Fedhealth and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. Independent Actuaries and consultants, carried out a statutory valuation as at 30 June 2020. The post-retirement medical obligations at 30 June 2020 quantified the present value of unfunded obligations at R4,644,000. The Current-service costs for the year ending 30 June 2020 is estimated at R306 000. The principal actuarial assumptions used included a discount rate of Yield Curve , and a health care cost inflation rate of CPI + 1.

Post Medical Aid benefits : The amounts recognised in the statement of financial position are as follows:

Carrying value

Opening Balance	(4 668 000)	(6 089 000)
Current Service cost	(306 000)	(386 000)
Interest Cost	(470 000)	(530 000)
Benefit Paid	176 000	168 000
Actual Loss / Gain	624 000	2 169 000
	(4 644 000)	(4 668 000)

Entity's own financial instruments [state each category]

Assets used by the entity

Property occupied by the entity	Males	Males
Age		
20 - 24	16,00 %	24,00 %
25 - 29	12,00 %	18,00 %
30 -34	10,00 %	15,00 %
35 - 39	8,00 %	10,00 %
40 - 44	6,00 %	6,00 %
45 - 49	4,00 %	4,00 %
50 - 54	2,00 %	2,00 %
55-59	1,00 %	1,00 %
	-	-

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15. Employee benefit obligations (continued)

Post Medical Aid Benefits: The amounts recognised in the Statement of Financial Performance were as follows:

Opening balance	4 668 000	2 169 000
Actuarial gains (losses)	(1 434 000)	2 499 000
Assets distributed on settlement	1 410 000	-
	4 644 000	4 668 000

16. Revenue

Service charges	2 869 807	2 257 263
Rental of facilities	850 649	1 074 076
Agency services	984 546	884 998
Licences and permits	1 891 296	2 884 673
Other income - Miscellaneous	858 095	327 895
Interest received - investment	11 106 623	13 026 783
Property rates	24 943 816	21 886 399
Government grants	148 940 107	135 280 962
Fines	446 450	901 062
	192 891 389	178 524 111

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	2 869 807	2 257 263
Rental of facilities and equipment	850 649	1 074 076
Agency services	984 546	884 998
Licences and permits	1 891 296	2 884 673
Other income - Miscellaneous	858 095	327 895
Interest received - investment	11 106 623	13 026 783
	18 561 016	20 455 688

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	24 943 816	21 886 399
Transfer revenue		
Government grants	148 940 107	135 280 962
Fines	446 450	901 062
	174 330 373	158 068 423

17. Service charges

Refuse removal	2 780 433	2 178 570
Other service charges - Fire	89 374	78 693
	2 869 807	2 257 263

18. Housing operating account

Loans extinguished by Government on 1 April 1998	373 787	373 787
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18. Housing operating account (continued)		
The housing operating account is represented by the following assets and liabilities		
Housing selling scheme loans	122 298	122 298
Bank and cash	251 489	251 489
Assets	373 787	373 787
Total Housing Development Fund Assets and Liabilities	373 787	373 787
19. Rental of facilities and equipment		
Premises		
Hall hire	165 831	166 394
Rental of Buildings	684 818	907 682
	850 649	1 074 076
	850 649	1 074 076
20. Other income		
Rates Clearance	7 581	2 657
Sundry Income	850 514	325 238
	858 095	327 895
21. Investment revenue		
Interest revenue		
Short term investments	11 106 623	13 026 783

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22. Property rates

Rates received

Residential	11 429 916	9 762 503
Commercial	4 791 333	5 831 033
State Owned Properties	4 316 230	2 305 716
Agricultural	3 573 912	2 955 074
Communal	224 893	311 430
Industrial	370 138	690 630
Public Service Infrastructure	237 394	30 013
	24 943 816	21 886 399

Valuations

Residential	610 258 890	686 574 002
Commercial	188 909 003	324 955 000
Public Service Infrastructure	220 000	165 002
Industrial	13 916 000	33 828 001
Municipal	66 159 002	66 923 000
Agricultural	1 553 091 965	1 249 713 000
Vacant Land	15 056 002	20 379 005
Farm : Residential	-	122 767 000
Public Service Purposes (State Owned)	441 281 000	300 602 000
Smallholdings:Commercial	-	28 458 000
Ingonyama Trust (Communal Land)	83 037 700	138 898 000
Informal Settlement	-	3 204 000
Place Of Worship	14 785 000	-
Servitudes	358 744 000	-
	3 345 458 562	2 976 466 010

Valuations on land and buildings are performed every 5 years. In terms of the new MPRA legislation an extension of 1 year has been granted. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alteration and subdivisions. Rates are levied in 12 monthly equal instalments with the first being due at the end of July and the last instalment is in June.

The municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below:

Residential
Agricultural
Small holding (Agricultural)
Commercial
Industrial and
Communal

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23. Government grants and subsidies		
Operating grants		
Equitable share	110 309 000	99 319 000
FMG	1 970 000	1 970 000
Sports & recreation	28 777	21 223
COVID 19 -Disaster Management Relief Grant- Income	280 523	-
Gym Park	42 000	1 907 339
Library Grant	1 101 000	1 035 000
Building Plan Grant	498 807	-
Municipal Disaster Grant	6 000 000	3 000 000
EPWP	1 793 000	1 590 001
	122 023 107	108 842 563
Capital grants		
MIG	26 917 000	26 438 399
	148 940 107	135 280 962
Conditional and Unconditional		
Included in above are the following grants and subsidies received.		
Conditional grants received	38 631 107	35 961 399
Unconditional grants received	110 309 000	99 319 000
	148 940 107	135 280 399
Equitable Share		
Current-year receipts	110 309 000	99 319 000
Conditions met - transferred to revenue	(110 309 000)	(99 319 000)
	-	-
Mc Kenzie Farm		
Balance unspent at beginning of year	-	428 422
Conditions met - transferred to revenue	-	(428 422)
	-	-
FMG Grant		
Current-year receipts	1 970 000	1 970 000
Conditions met - transferred to revenue	(1 970 000)	(1 970 000)
	-	-
Sports and Recreation		
Balance unspent at beginning of year	28 777	-
Current-year receipts	-	50 000
Conditions met - transferred to revenue	(28 777)	(21 223)
	-	28 777
Electrification Grant		

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23. Government grants and subsidies (continued)		
Current-year receipts	13 000 000	16 000 000
Conditions Met	(13 000 000)	(16 000 000)
	-	-
COVID 19 Disaster recovery Grant		
Current-year receipts	655 000	-
Conditions met - transferred to revenue	(280 523)	-
	374 477	-
Conditions still to be met - remain liabilities (see note 13).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	601	-
Current-year receipts	26 917 000	26 439 000
Conditions met - transferred to revenue	(26 917 000)	(26 438 399)
	601	601
Conditions still to be met - remain liabilities (see note 13).		
Library Grant		
Current-year receipts	1 101 000	1 035 000
Conditions met - transferred to revenue	(1 101 000)	(1 035 000)
	-	-
Small Town Rehab _ Roads		
Balance unspent at beginning of year	-	18 245
Conditions met - transferred to revenue	-	(18 245)
	-	-
Municipal Disaster Recovery Grant		
Current-year receipts	6 000 000	3 000 000
Conditions met - transferred to revenue	(6 000 000)	(3 000 000)
	-	-
Ixopo sports maintenance Grant		
Balance unspent at beginning of the year	8 278	8 278
Sangcwaba Grant		
Balance unspent at beginning of year	565 387	565 387
EPWP Grant		
Current-year receipts	1 793 000	1 590 000

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23. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(1 793 000)	(1 590 000)
	-	-
Gym Park Grant		
Balance unspent at beginning of year	92 661	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	(42 000)	(1 907 339)
	50 661	92 661
Conditions still to be met - remain liabilities (see note 13).		
Ixopo Sportsfield Grant		
Balance unspent at beginning of year	143 182	143 182
Building Plans Information Systems Grant		
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(498 807)	-
	1 193	-
Conditions still to be met - remain liabilities (see note 13).		

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24. Employee related costs

Basic salaries and wages	47 651 919	45 353 423
Bonus	3 428 441	3 582 568
Medical aid - company contributions	2 494 950	828 010
UIF	381 491	420 469
Other payroll levies	20 709	18 534
Leave pay provision charge	2 372 443	2 229 416
Pension	7 212 575	6 846 166
Travel, motor car, accommodation, subsistence and other allowances	968 283	1 549 012
Overtime payments	2 740 748	1 616 050
Long-service awards	37 505	341 798
Housing benefits and allowances	98 947	74 191
Post Retirement Obligation	538 280	457 821
Other employee related costs	132 375	135 229
	68 078 666	63 452 687

Remuneration of Municipal Manager

Annual Remuneration	904 419	958 638
Performance Bonuses	-	169 185
Contributions to UIF, Medical and Pension Funds	249 076	131 830
Other	206 730	189 077
	1 360 225	1 448 730

Remuneration of Chief Finance Officer

Annual Remuneration	-	639 891
Performance Bonuses	-	7 683
Contributions to UIF, Medical and Pension Funds	-	39 826
Other	-	203 574
Acting Allowance	92 197	-
	92 197	890 974

The Chief Financial Officer resigned during the year on 25 May 2019.

Corporate and human resources (corporate services)

Annual Remuneration	670 363	67 826
Contributions to UIF, Medical and Pension Funds	102 866	10 915
Other	19 133	-
	792 362	78 741

The director for corporate services Assumed Her duties during the year on (1 August 2019)

Social Development

Annual Remuneration	583 170	590 820
Performance Bonuses	65 855	107 014
Contributions to UIF, Medical and Pension Funds	185 815	179 087
Other	180 696	172 297
	1 015 536	1 049 218

Technical Services

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24. Employee related costs (continued)		
Annual Remuneration	209 524	782 063
Performance Bonuses	-	105 368
Contributions to UIF, Medical and Pension Funds	51 908	158 571
Other	183 724	143 481
Acting Allowance	54 702	-
	499 858	1 189 483

The Director Technical Services Resigned during the year (30 October 2019)

25. Remuneration Of Councillors

Mayor	887 745	873 579
Deputy Mayor	706 388	706 990
Exco Members	1 448 355	1 433 519
Speaker	698 806	731 754
Councillors	6 310 824	6 557 066
	10 052 118	10 302 908

The Accounting officer affirms that remuneration of councilors disclosed above are within the upper limmits envisaged in section 219 of the constitution and were aligned with gazzete number 43246 issued on 24 April 2020.

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

26. Depreciation and amortisation

Property, plant and equipment	30 310 173	20 227 889
Investment property	212 274	210 465
Intangible assets	422 528	268 322
	30 944 975	20 706 676

27. Impairment

Impairments

Property, plant and equipment	4 183 012	3 184 560
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28. Finance costs

Interest paid	5 770	2 395
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Figures in Rand	2020	2019
29. Provision for Bad debts		
Traffic Fines	320 392	3 142 186
Bad debts written off	6 747 715	1 601 217
	7 068 107	4 743 403
30. Contracted services		
Security services	3 816 616	4 052 944
Legal fees	362 302	697 543
Valuation services	51 885	263 348
Other Contractors	9 058 940	923 031
Repairs and Maintenance	2 199 726	4 274 302
Catering	478 834	1 001 711
Event promoters	91 477	309 407
Consultants and Professional Services	782 363	2 851 041
Pest control and fumigation	19 241	11 087
Audit committee fees	178 290	166 149
	17 039 674	14 550 563
31. General expenses		
Mscosa Implementation and system development	2 544 083	1 315 659
Advertising	1 827 215	2 225 931
Auditors remuneration	1 856 111	2 191 088
Bank charges	200 246	217 595
Consumables	509 725	396 786
Entertainment	50 493	84 609
Road Traffic levy	-	2 181
Free Basic Services	966 321	790 519
Insurance	1 717 506	619 103
Operating Leases: Furniture and Office	569 264	683 355
Parking Fees	99 509	67 645
SDL	633 261	466 050
Specialised Computer Service	781 416	821 233
Fuel and oil	1 747 081	1 895 563
Postage and courier	175 772	175 290
Printing and stationery	338 550	604 247
Bursary Youth	420 756	550 176
Employment creation and assistant programme	298 961	273 800
Trainings	1 712 206	1 010 772
Software expenses	1 212 002	609 546
Ward Committees	1 152 614	882 202
Subscriptions and membership fees	822 051	764 134
Travel - local	2 252 205	3 346 843
Water and electricity	1 105 961	866 938
Uniforms/ Protective Clothing	1 070 206	775 113
Communication costs	1 675 739	1 827 732
Computer & Network extensions and internet costs	-	48 758
Licence and permits	123 974	127 861
Other expenses	595 032	1 159 311
	26 458 260	24 800 040

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Figures in Rand	2020	2019
32. Cash generated from operations		
Surplus	29 022 778	36 320 222
Adjustments for:		
Depreciation and amortisation	30 944 975	20 706 676
Transfer of assets	38 029	460 657
Impairment deficit	4 183 012	3 184 560
Provisions	7 068 107	4 743 403
Movements in benefit assets and liabilities	(24 000)	(1 408 507)
Other non-cash items	1 488 499	(1 054 249)
Changes in working capital:		
Inventories	299 343	2 744 348
Receivables from exchange transactions	(7 380 245)	(3 404 420)
Trade receivables from non exchange transactions	(4 377 605)	(1 137 126)
Prepayments	-	675 156
Payables from exchange transactions	(5 901 766)	7 187 265
VAT	(5 558 072)	(697 206)
Unspent conditional grants and receipts	(304 893)	(324 628)
	49 498 162	67 996 151

33. Financial instruments disclosure

Categories of financial instruments

2020

Financial Assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5 990 627	5 990 627
Other receivables from non-exchange transactions	22 211 106	22 211 106
Cash and cash equivalents	148 839 937	148 839 937
	177 041 670	177 041 670

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18 745 993	18 745 993

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5 399 714	5 399 714
Other receivables from non-exchange transactions	14 840 861	14 840 861
Cash and cash equivalents	155 455 064	155 455 064
	175 695 639	175 695 639

Financial liabilities

	At amortised cost	Total
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Figures in Rand	2020	2019
33. Financial instruments disclosure (continued)		
Trade and other payables from exchange transactions	26 181 968	26 181 968
34. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	2 227 862	16 549 782
• Community	3 623 985	5 064 920
• Vehicles	6 481 403	-
• Buildings	16 341 125	36 747 861
• Intangible assets	1 263 170	-
	29 937 545	58 362 563
Total capital commitments		
Already contracted for but not provided for	29 937 545	58 362 563
Authorised operational expenditure		
Already contracted for but not provided for		
• Operating Expenditure	18 746 225	18 438 993
Total operational commitments		
Already contracted for but not provided for	18 746 225	18 438 993
Total commitments		
Total commitments		
Authorised capital expenditure	29 937 545	58 362 563
Authorised operational expenditure	18 746 225	18 438 993
	48 683 770	76 801 556

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, and grants.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	198 754	596 264

Operating Leases relates to the rental of photocopying machines which is currently on month to month Basis

35. Contingencies

Contingent liabilities

The contingent liabilities as at 30 June 2020 is the amount of R 350 000 which relates to the outstanding rentals and eviction proceedings (Legal Cost).

Contingent assets

The contingent assets as at 30 June 2020 is the amount of R11 Million in terms of Taxed costs relating to a litigation on a sale of council property.

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36. Related parties

There were related party transactions in the current financial year. The two related party transactions were the Municipalities councillors and s57 employees as per Grap 20

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36. Related parties (continued)

Remuneration of key management

Councillors

2020

	Basic salary	Total
Name		
Councillors	10 182 136	10 182 136

2019

	Basic salary	Total
Name		
Councillors	9 901 684	9 901 684

Section s57 Employees

2020

	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Name				
Municipal manager	904 419	-	455 806	1 360 225
Chief Financial Officer	-	-	92 197	92 197
Corporate Services Manager	670 363	-	121 999	792 362
Social Development Manager	583 170	65 855	366 511	1 015 536
Technical Manager	209 524	-	290 334	499 858
	2 367 476	65 855	1 326 847	3 760 178

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36. Related parties (continued)

2019

	Basic salary	Bonuses and performance related payments	Other benefits received	Total
Name				
Municipal manager	958 638	169 185	320 907	1 448 730
Chief Financial Officer	639 891	-	251 083	890 974
Corporate Services Manager	67 826	-	10 915	78 741
Social Development Manager	590 820	107 014	351 384	1 049 218
Technical Manager	782 063	105 368	302 052	1 189 483
	3 039 238	381 567	1 236 341	4 657 146

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37. Change of Accounting estimation Uncertainties and Adjustments

Change in Accounting estimates

In terms of GRAP 17 - Property, Plant and Equipment, the municipality is required to assess the useful lives and depreciation methods at each reporting period date. In the current financial year, the management have revised the useful lives of 68 assets which had a remaining useful life of less than a year. The revision was accounted for a change in accounting estimates. the remaining useful lives were reviewed based on the condition assessment carried out during physical verification .

Impact on Statement of Financial Performance	Old Basis	Impact due to the change of estimate	New Basis
Depreciation (Plant and machinery)	871 683	(905)	870 778
Depreciation (Motor Vehicles)	1 807 719	(1 634 820)	172 899
Depreciation(IT Equipment)	760 057	(39 152)	720 905
Depreciation (furniture and fixtures)	659 790	(43 102)	616 688
	4 099 249	(1 717 979)	2 381 270

Key sources of estimation, uncertainty and judgement.

- Useful life and residual value.
- Recoverable amount of property, plant and equipment.
- Present Value of defined benefit.
- Provision for doubtful debt.
- Determining the collectable amount for traffic fines issued.
- Valuation of properties for the purposes of rates billing.

38. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of 491 116 495 and that the municipality's total assets exceed its liabilities by 491 490 282.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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39. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Cash & cash equivalents	148 838 937	155 455 064
Trade and other receivables from exchange	6 051 601	5 399 714
Trade and other receivables from non - exchange	23 893 866	16 631 162

40. Events after the reporting date

Management is aware of events that occurred post balance sheet date identified during the year.

- An amount of R273 538 466.35 was subsequently condoned and written off by council on the 28 of October 2020 after an investigation by MPAC.
- On the 17 of September 2020 assets in poor condition to a value of R196 741,03 were written off by the council
- Assets not previously verified to a netbook value of R23 843.25 were written off by council subsequently from the investigation conducted by the investigative committee
- Stolen Laptop with the Value of R5682.04 was written Off.

41. Fruitless and wasteful expenditure

Opening balances	113 182	110 787
Interest incurred during year	5 770	2 395
Condoned during the year	(113 182)	-
	5 770	113 182

Fruitless and wasteful expenditure in the current year relates to interest charged by Eskom, Telkom and Harry Gwala District as a result of receiving invoices late.

42. Irregular expenditure

Opening balance	306 728 097	12 525 707
Add: Irregular Expenditure - current year	32 076 752	91 402 369
Add : Irregular Expenditure - Prior years	-	203 249 004
Less: Amounts condoned	(12 076 724)	(448 983)
	326 728 125	306 728 097

Analysis of expenditure awaiting condonation per age classification

Current Year	32 076 752	91 402 369
Prior years	294 651 373	215 325 728
	326 728 125	306 728 097

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42. Irregular expenditure (continued)

Details of irregular expenditure condoned

	Condoned by (council)	
Amount investigated by MPAC and subsequently condoned by council		12 076 724

Details of irregular expenditure recoverable (not condoned)

-

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43. Prior period errors

The correction of the error(s) results in adjustments as follows:

1. Payables from exchange transactions

Payables from exchange transactions are adjusted in 2018/19 year end as a result of overstating of accruals in 2017/2018 financial year and were one of the qualification items in 2018/2019 financial year. An amount of R1 414 396 could not be supported. The municipality embarked in a process of obtaining the supporting documents and the initial entry that resulted the overstatement which was accordingly obtained and an adjustment was also effected as shown in a note below.

2. Intangible Asset

Prior year correction on intangible assets amortisation value not written off in 2018/19.

3. Property, plant and equipment

Reassessment of useful lives

In the prior year, there were assets which were approaching the end of their previously expected useful life. The municipality did not review the useful lives of these assets at reporting date in accordance with GRAP 17.

Newly found assets

In the past certain infrastructure assets were not included in the asset register, recognition these assets which were previously omitted has been made.

Assets not capitalised timeously

Golf course roads were completed in the prior year and not timeously capitalised.

Nokweja Gym Park completed in the prior year and not timeously capitalised.

Assets not capitalised timeously (Depreciation impact)

A correction was processed for depreciation of assets which were completed in the prior year and not capitalised.

4. Investment Property

Correction of Land not accounted for in the prior years.

5. Motor Vehicles

Revision of useful lives (Prior Year error)

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43. Prior period errors (continued)

6. Electrification

Electrification grant incorrectly recognised as revenue instead of being immediately expense as regarded as a third party where the municipality act as an agent

7. Leave Pay Provision

Correction of Prior year understated leave provision

8. Depreciation

Correction of Prior year due to the revision of the useful lives of assets.

9. Retention (Trade and Other Payables)

Correction of Prior year retentions that was raised, released but not cleared on the retention supplier accounts.

10. Other Creditors

This relates to old creditors without movement, it was also catered in the advert where the municipality requested that if there are unclaimed invoices ,Suppliers must come to the forth and lodge a claim of unpaid invoice, none of the suppliers came to lodge a claim and a decision has been taken to clear this balance.

11. Land

In the past certain assets (Land portions) were not included in the fixed assets register, correction has been made to account for those omissions.

12. Plant and Machinery

Revision of useful lives (prior year error)

13. Furniture and Fixtures

Revision of useful lives (prior year error) and correction of current year additions.

14. IT Equipment

Revision of useful lives (prior year error)

15. Operational Grant

Recognising long outstanding grants that was fully spent but not cleared in ledger.

16. Inventory

Correction of Land portion sold in prior years not accounted for as proceeds

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43. Prior period errors (continued)

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Revision of useful lives (prior year error)

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Revision of useful lives (prior year error) and correction of current year additions.

14.IT Equipment

Revision of useful lives (prior year error)

15.Operational Grant

Recognising long outstanding grants that was fully spent but not cleared in ledger.

16. Inventory

Correction of Land portion sold in prior years not accounted for as proceeds

17.Advance Payments

Reversal of debtors with credit balances not reversed in the prior year.

- -

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43. Prior period errors (continued)

Statement of Financial Position	Amount previously reported (2018/19)	Adjustment	Total
1. Trade payables from exchange transactions	17 868 488	(1 414 393)	16 454 095
2. Intangible assets	1 403 658	339 787	1 743 445
3. Property, plant and equipment - Buildings	22 988 018	1 762 430	24 750 448
3. Property, plant and equipment - Infrastructure	126 276 917	2 276 536	128 553 453
3. Property, plant and equipment - Community assets	105 859 332	1 730 042	107 589 374
4. Investment Property	20 670 810	3 014 000	23 684 810
5. Motor Vehicles - Accumulated Depreciation	5 197 830	164 789	5 362 619
7. Leave pay provision	3 264 536	1 489 585	4 754 121
9. Retention	9 599 272	(4 285 249)	5 314 023
10. Other Creditors	256 092	(256 092)	-
11. Land	-	4 179 000	4 179 000
12. Plant and Machinery	3 050 602	123 549	3 174 151
13. Furniture and Fixture	1 353 540	276 374	1 629 914
14. IT Equipment	1 745 865	(149 240)	1 596 625
15. Operational Grant	446 667	(446 667)	-
16. Inventory	9 199 474	(194 737)	9 004 737
17. Advance Payments	4 159 752	(1 790 302)	2 369 450
17. Accumulated Surplus	443 983 197	18 179 452	462 162 649
	777 324 050	24 998 864	802 322 914

Statement of Financial Performance	Amount previously reported	Adjustment	Total
6. Electrification	3 662 000	(3 662 000)	-
8. Depreciation	20 831 259	(124 583)	20 706 676
	24 493 259	(3 786 583)	20 706 676

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	72 462
Amount paid - current year	-	(72 462)
	-	-

Audit fees

Current year subscription / fee	1 856 111	2 191 088
Amount paid - current year	(1 856 111)	(2 191 088)
	-	-

PAYE, UIF & SDL

Current year subscription / fee	11 183 020	9 791 885
Amount paid - current year	(11 183 020)	(9 791 885)
	-	-

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Contributions		
Current year subscription / fee	14 332 450	13 151 532
Amount paid - current year	(14 332 450)	(13 151 532)
	-	-
VAT		
VAT receivable	10 964 332	5 300 118
VAT payable	-	-
	10 964 332	5 300 118

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal supply chain management regulations, any deviation from the supply chain management policy needs to be approved / condoned by the accounting officer and noted by council. The expenses incurred as listed hereunder have been approved by the accounting officer and have been noted by council. Furthermore, management did not note any material non-compliance with the municipal Finance Management Act

Section 36 deviations and reasons

	Amount
The municipality required renewal of software license of the previous financial system for auditing purposes as well as extraction of historical data. The Auditor General wanted the excess to the system in order for them to be able to audit transactions and data for the 2018 /2019 financial year. Bytes system integration is the sole provider and distributor of SAMRAS system. The municipality had to apply regulations 39 of the SCM regulation to procure the required services since it was impractical to follow normal SCM processes.	174 241
The Municipality was going to hold an in-house workshop for women's forum representative, the maximum that was expected per ward from all 14 wards was 9 delegates per ward. Since those delegates were coming from all over uBuhlebezwe, it was then impractical to organise a taxi per ward as the taxi has the maximum capacity of 15 passengers. Due to the above reason, the municipality has to apply regulation 36 of SCM regulations to provide the required service on the ground of being impractical and impossible to follow normal SCM processes. A cheque was issued to Miss N. Mbanjwa (Secretary to the executive Mayor) and reimbursement was done to each delegate for transport cost incurred.	11 800
In the effort of complying with the health and safety measures in the workplace, the municipality urgently needed to procure COVID 19 relief PPE for essential service workers. Due to the nature of emergency and lockdown that we were under, the municipality was unable to follow the normal SCM processes to source quotations falling within R30 000 to R200 000 threshold. It was with the above reasons that the municipality has to apply Regulation 36 of SCM regulations for the procurement of COVID 19 PPE on the grounds of urgency and impractical to follow the normal SCM processes.	47 265
In the effort of complying with the health and safety measures in the workplace, the municipality urgently needed to procure COVID 19 relief PPE for essential service workers. Due to the nature of emergency and lockdown that we were under, the municipality was unable to follow the normal SCM processes to source quotations falling within R30 000 to R200 000 threshold. It was with the above reasons that the municipality has to apply Regulation 36 of SCM regulations for the procurement of COVID 19 PPE on the grounds of urgency and impractical to follow the normal SCM processes.	16 089
	249 395

Paragraph 12 (1)(d)(i) of government gazette no 27636 issued in 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and include a note to the Annual Financial statements.

Deviations from the tender stipulations in terms of the municipality's supply chain management policy were presented to the committees, which condoned the various cases.

45. Other revenue

Other income	858 095	327 895
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